

# REPORT Card

ND TEACHERS' FUND FOR RETIREMENT

FEBRUARY 2015

## NDTFFR Annual Valuation Shows Funding Improvement

NDTFFR's annual valuation, which measures its overall financial health, was recently completed by the plan's actuarial consultant, Segal Company. A very important measure of TFFR's financial health is the amount of money available (assets) to pay all promised pension benefits for current and future retirees (liabilities).

The annual actuarial report provides a financial "snapshot" status of the TFFR plan, and shows the plan's

funded ratio increased from 59% last year to 62% as of July 1, 2014. This is an encouraging sign, and tells us that plan changes made over the past few years combined with better market conditions have put us back on track after experiencing funding level declines in the past decade. TFFR's deficit has been reduced since the previous valuation, and although the plan remains under funded, we are optimistic that funding improvement will occur.

which is an increase of 258 retired members.

### Financial

Member and employer contributions in FY 2014 totaled \$121.0 million compared to \$115.8 million last year. Total distributions, including benefit payments, refunds, and administrative expenses, was \$163.8 million compared to \$150.6 million last year.

### Assets

The market value of assets increased from \$1.84 billion to \$2.09 billion as of June 30, 2014. However, actuarial calculations are based on the actuarial value of

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Chief Retirement Officer  
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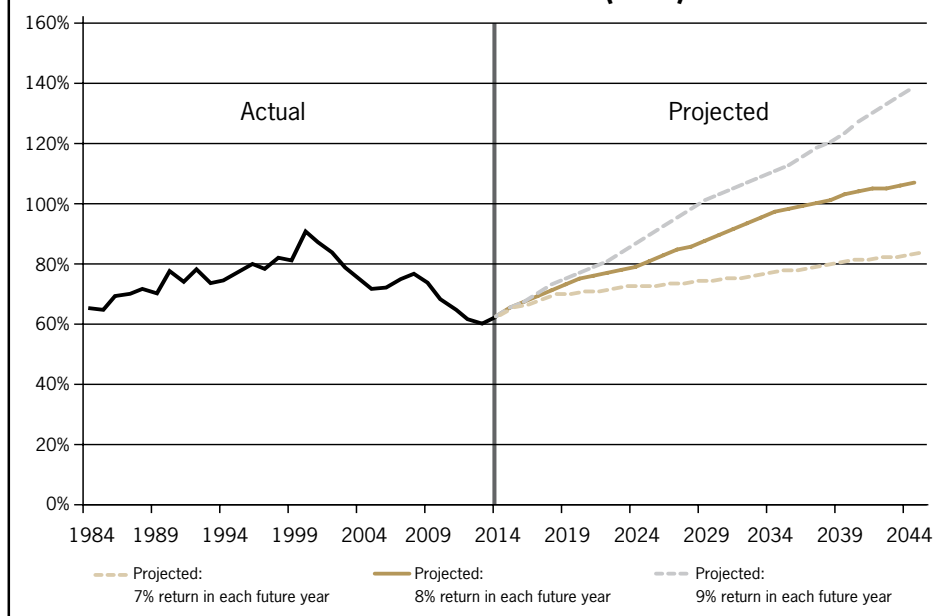
Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.

### Membership

As of July 1, 2014, the TFFR plan included 10,305 active members, which is an increase of 167 active members over last year. There were 7,747 retirees and beneficiaries,

*Continued on page 3*

### TFFR Funded Ratio (AVA)



# Memo to Members

## Stuck in the middle

I'm a middle child, and guess what? I like it! I'm only 5 years younger than my oldest sister, and just 8 years older than my youngest brother. While being the oldest or youngest may have had its perks over the years, so does being the fifth of ten children in my big family. We middle children have the advantage of being able to view certain situations from more than one perspective which may help us address challenges and keep us out of (serious) trouble. Well most of the time, anyway.

Being a middle kid was good training ground for me. The past decade of working with teachers, administrators, and school boards to address TFFR pension funding concerns has certainly required the ability for all of us to evaluate a difficult situation from various points of view. How will contribution increases and benefit changes affect the new, young teacher just beginning a career in education? What about the midcareer educator faithfully saving and planning for retirement? How about the teacher just ending a 30 or 40 year career educating ND kids? And of course we are also concerned about retired members – whether retirement was just last year, or 30 years ago, TFFR pension funding and retirement security matters.

But it's not just about the members. School districts and other participating employers have a huge stake in



Fay Kopp  
NDTFFR Chief Retirement Officer  
NDRIO Deputy Executive Director

what happens at TFFR since the dollars paid in to TFFR reduce the amount that can be paid out to teachers in the form of salary or other benefits. Pensions have long been known to play an important role in attracting and retaining talented educators, so that impacts discussions about TFFR as well.

A few years ago, the TFFR Board and the groups representing active and retired teachers, administrators, and school boards generally agreed that a TFFR pension is a valued benefit and should be maintained so ND educators can retire with long term retirement security. It was also recognized that pension sustainability comes with a price tag in the form of increased pension contributions from members and employers, and certain benefit modifications to reduce future liabilities. Compromise and shared sacrifice were key to finding the middle ground that could be supported by the various stakeholders.

As I sit back and reflect on all that has been accomplished in the past few years and all that is yet to be done in the future, I am very proud of the members and employers for their strong support of TFFR. I am privileged to be "stuck in the middle" with you, and will strive to do my best on your behalf. Please feel free to call me with questions and concerns.

## Corneil Leaves Board

The TFFR Board and staff wish to thank Mr. Clarence Corneil for twelve years of dedicated service to ND educators. Mr. Corneil represented retired teachers on the Board and resigned effective November 21, 2014.



## Mike Burton Appointed to Board

Governor Dalrymple has appointed Mike Burton to the TFFR Board to complete the term of Clarence Corneil. Mike is a retired teacher from Fargo and his term on the Board will expire June 30, 2017.



## NDPERS Health Insurance Change

A 2013 law change closed the NDPERS pre-Medicare health insurance plan to retirees effective July 1, 2015. In the past, if a TFFR member retired before age 65, the retiree had the option to obtain pre-Medicare health insurance through the NDPERS program. The national Affordable Care Act (ACA) contains provisions that mandate access to insurance coverage without imposing pre-existing condition limitations or having to be medically underwritten. This eliminates the primary reason why the pre-Medicare coverage was originally made available. TFFR pre-Medicare retirees are able to choose from insurance plan options that are available through the National Health Care Exchange program provided by the Affordable Care Act.

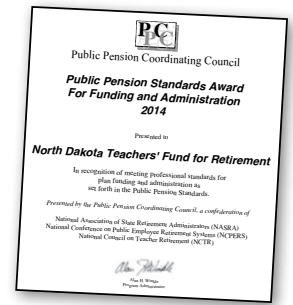
Since the new law goes into effect July 1, 2015, to remain eligible for the NDPERS pre-Medicare health plan, new TFFR retirees must be in payment on June 1, 2015. Example: A June 1, 2015 new TFFR retiree who gets first paid July 1, 2015 retroactive to June 1, 2015 will not be eligible for the NDPERS pre-Medicare insurance since they did not get paid on or before June 1, 2015. If you are retiring June 1, 2015 and want to use the NDPERS pre-Medicare insurance, please notify TFFR and we will make every effort to get your first retirement payment to you on June 1, 2015.

Please note that pre-Medicare TFFR retirees currently enrolled in the pre-Medicare plan will be grandfathered. Coverage will remain in effect until they become entitled to Medicare at which time they can apply for NDPERS coverage under the Dakota Retiree Plan (supplement to Medicare plan). Also, pre-Medicare retirees whose retirement payments begin after June 1, 2015 can also apply for NDPERS coverage under the Dakota Retiree Plan once they reach eligibility for Medicare.

If you have questions regarding this change, please contact NDPERS at (800) 803-7377 or (701) 328-3900.

## TFFR Receives Award

The ND Teachers' Fund for Retirement has received the 2014 Public Pension Coordinating Council Recognition Award. This award is designed to recognize and commend public employee retirement systems that meet professional standards for both pension plan administration and funding.



## TFFR Annual Valuation

From page 1

assets which averages investment gains and losses over five years. The actuarial value of assets increased from \$1.76 billion to \$1.94 billion in 2014.

### Actuarial Results

As of July 1, 2014, TFFR's actuarial accrued liability (AAL) increased from \$ 3.0 billion to \$3.14 billion. The unfunded portion of the actuarial accrued liability (UAAL) decreased from \$1.23 billion to \$1.20 billion. Therefore, TFFR's funded ratio (comparison of assets to liabilities) on an actuarial basis increased from 59% to 62%. This means TFFR currently has about 62 cents for every one dollar it needs to pay present and future benefits earned by members. On a market value basis, TFFR's funded level increased from 61% to 67%.

### Funding Projections

The actuary has determined that the legislative changes approved by the 2011 Legislature are expected to continue improving TFFR's funding status over the long term, if actuarial assumptions are met. 2008-09 investment losses have been completely smoothed into actuarial valuations, and increased member and employer contributions are beginning to flow into the system. Therefore, long term funding progress is expected.

As you can see from the chart on page 1, if TFFR earns 8% investment returns in the future, the plan's funded level should reach 100% in about 20 years. Member and employer contribution rates will be reduced to 7.75% each when 100% funding is achieved. If long term returns are greater than 8%, funding progress will be reflected sooner. However, if returns are less than 8%, funding improvement will take longer.

A long term focus is important in financing pensions. Due to legislative action, TFFR's long term funding outlook is positive, and benefits are secure for past, present, and future ND educators.

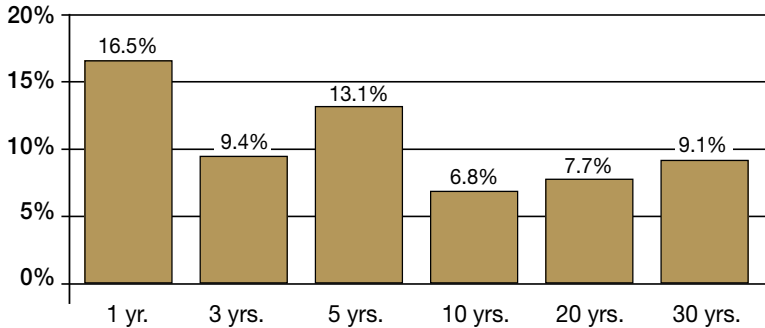
The complete 2014 actuarial report is available on the TFFR website at [www.nd.gov/rio/tffr/publications](http://www.nd.gov/rio/tffr/publications) or by request to our office.



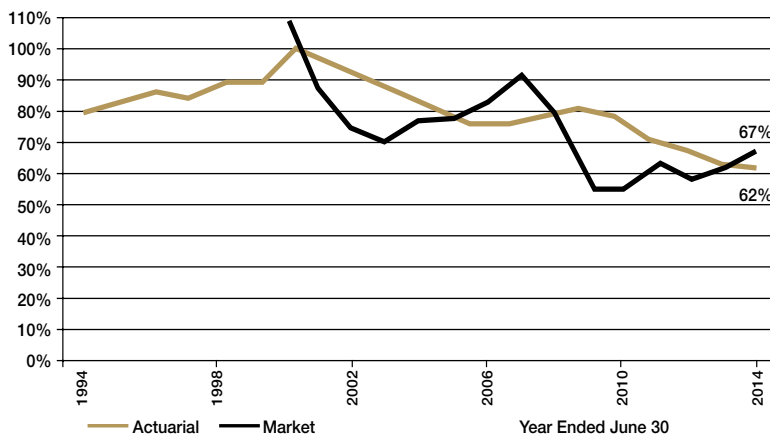
## 2014 Annual Report Summary

NDRIO's annual Comprehensive Annual Financial Report (CAFR) has been published for fiscal year July 1, 2013 – June 30, 2014. The report provides a detailed look at investment, financial, actuarial, and statistical information. The 2014 CAFR, actuarial report, and audit report are posted on the NDRIO website at [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications) or by request to our office.

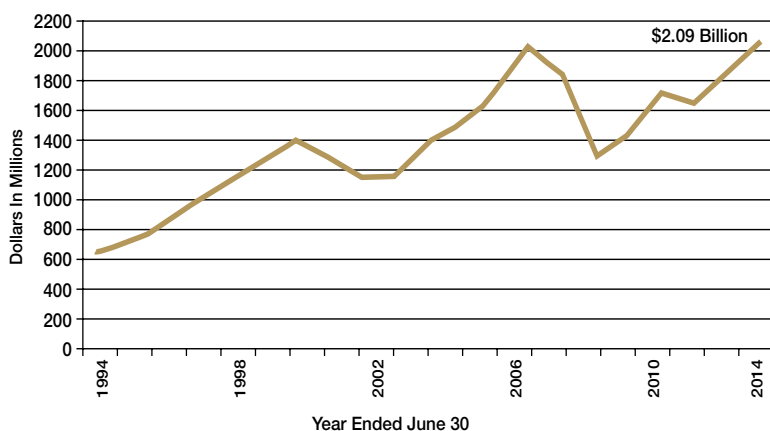
### TFFR Net Investment Performance - Average Fiscal Year Ended June 30, 2014



### TFFR Funded Ratio - Market vs. Actuarial



### Market Value of TFFR Assets



### Statement of Net Position as of June 30, 2014

#### ASSETS

Equities	\$1,089,067,377
Fixed Income	478,677,486
Real Assets	369,078,739
Private Equity	97,357,862
Invested Cash	20,045,640
Receivables	23,696,022
Other Assets	17,012,740

Total Assets **\$2,094,935,866**

#### LIABILITIES

Accounts Payable	\$3,320,810
Accrued Expenses	631,740
Other Liabilities	6,260
Total Liabilities	\$3,958,810

Net Position on June 30, 2014 **\$2,090,977,056**

### Changes in Net Position During Fiscal Year 2014

#### CASH POSITION

Net Position on June 30, 2013 **\$1,839,583,960**

#### -ADDITIONS-

Member Contributions	\$56,554,767
Employer Contributions	62,355,146
Other Additions	2,082,055
Investment Income (Loss)	294,246,449

Total Additions **\$415,238,417**

#### -DEDUCTIONS-

Benefits Paid	\$158,350,355
Refunds	3,908,921
Administrative Expenses	1,586,045

Total Deductions **\$163,845,321**

Total Change in Net Position **\$251,393,096**

Net Position on June 30, 2014 **\$2,090,977,056**

# Membership Statistics - June 30, 2014

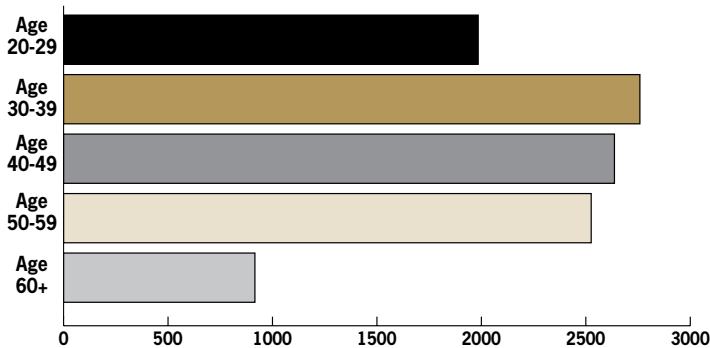
## ACTIVE MEMBERS

Avg Annual Salary	\$54,073
Avg Age	Age 43
Avg Service	13 yrs
Oldest Active Member	Age 78
Most Service	47 yrs

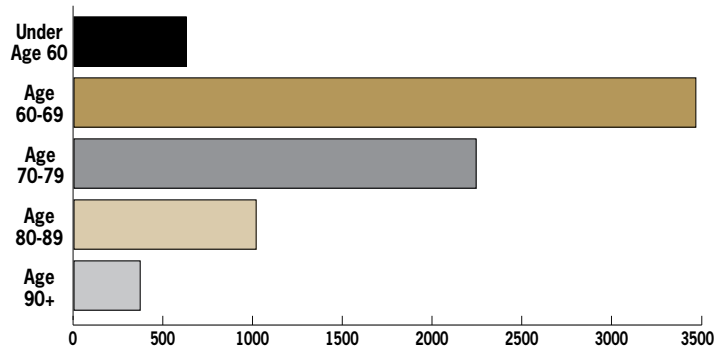
## RETIRED MEMBERS

Avg Annual Pension	\$21,396
Avg Current Age	Age 71
Avg Service	27 yrs
Oldest Retiree	Age 107
Most Service	57.5 yrs

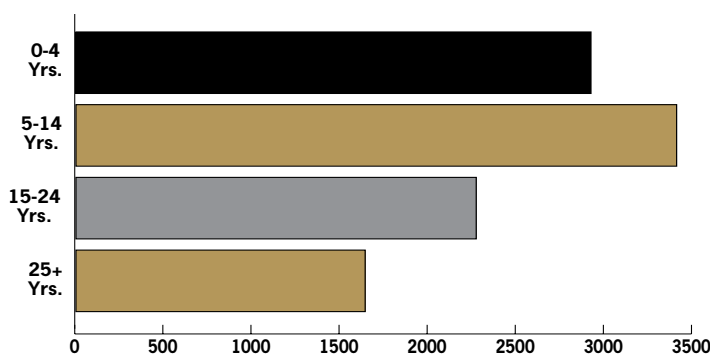
### Active Members by Age



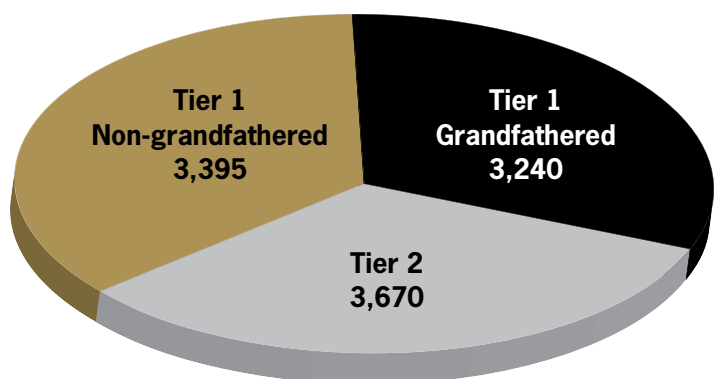
### Retired Members by Age



### Active Members by Service



### Active Members by Tier



## 2015 Legislative Proposals

The 64<sup>th</sup> Legislative Assembly began on January 6, 2015. As of this writing, there have been no bills filed that will affect TFFR plan benefits, contributions, or funding. The TFFR Board did file a technical corrections bill described below.

- **HB 1064** (interim study bill no. 140) updates certain dates to stay current with federal Internal Revenue tax law changes to maintain TFFR's status as a qualified governmental pension plan. The changes are not expected to have an actuarial effect on the plan, and were not submitted for funding improvement purposes.

Although we are monitoring various other pension and investment related legislative proposals, we are not aware of any other specific proposals that appear to have TFFR pension implications at this time.

Legislative information is available on state websites.

ND TFFR: [http://www.nd.gov/rio/TFFR/Legislation/default\\_2015.htm](http://www.nd.gov/rio/TFFR/Legislation/default_2015.htm)

ND Legislature: <http://www.legis.nd.gov/assembly/64-2015/regular>





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State Investment Board*

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## STATEWIDE PRE-RETIREMENT SEMINAR REGISTRATION FORM

☐ July 22 - Grand Forks      ☐ July 23 - Bismarck

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

TFFR Person ID \_\_\_\_\_

Home Telephone \_\_\_\_\_ Work Telephone \_\_\_\_\_

E-mail \_\_\_\_\_

Will your spouse/guest also be attending? \_\_\_\_ Yes \_\_\_\_ No

Name of spouse/guest \_\_\_\_\_

Is your spouse/guest also a teacher? \_\_\_\_ Yes \_\_\_\_ No

TFFR Person ID of spouse/guest \_\_\_\_\_

Return to: **ND Retirement and Investment Office**  
**PO Box 7100, Bismarck, ND 58507-7100**  
or e-mail information to: **rio@nd.gov**

## Annual Statewide Pre-Retirement Seminars

To help ND educators prepare for retirement, TFFR hosts statewide pre-retirement seminars. The full day pre-retirement planning seminar covers TFFR benefits, financial planning, estate planning, Social Security benefits, health insurance options, and adjusting to retirement.

All members and spouses are invited to attend. However, the seminars are geared to plan members who are within five years of retirement. The program provides in-depth retirement information and the tasks you will need to complete in the final months before retirement.

The 2015 seminars will be held in Grand Forks on July 22, 2015, and in Bismarck on July 23, 2015. The seminars begin at 8 am and conclude at 4:30 pm. Each site will be limited to 75 participants, so register early. To register, call 1-800-952-2970 or 328-9886 or complete and return the attached registration form.